

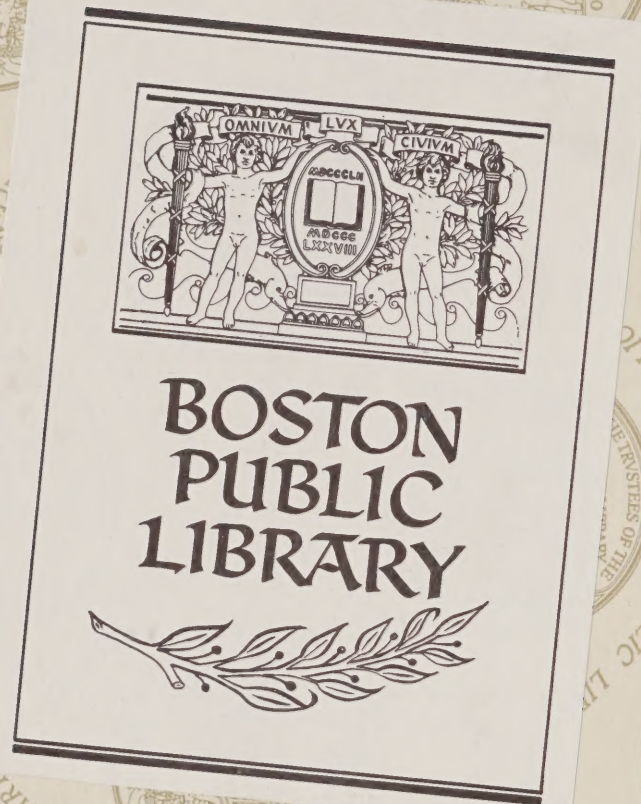
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CITY OF BOSTON  
RAYMOND L. FLYNN, MAYOR

BOSTON REDEVELOPMENT AUTHORITY  
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JOSEPH J. WALSH, VICE-CHAIRMAN  
JAMES K. FLAHERTY, TREASURER  
CLARENCE J. JONES, VICE-TREASURER  
MICHAEL F. DONLAN, MEMBER  
KANE SIMONIAN, SECRETARY  
STEPHEN COYLE, DIRECTOR





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JULY 10, 1986

MEMORANDUM

TO: BOSTON REDEVELOPMENT AUTHORITY AND  
STEPHEN COYLE, DIRECTOR

FROM: EDITH NETTER, ASSISTANT DIRECTOR, LAND USE AND  
ENVIRONMENTAL POLICY  
PETER DREIER, ASSISTANT DIRECTOR, HOUSING

SUBJECT: INCLUSIONARY ZONING AMENDMENT TO BOSTON ZONING CODE

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Mayor Raymond L. Flynn has submitted to the Authority for its consideration an inclusionary zoning amendment to the Boston Zoning Code.

The major purpose for proposing this policy is to provide affordable housing for persons of low and moderate income. The current shortage of such housing is detrimental to the public health, safety, and welfare. An analysis of this affordable housing shortage -its causes and symptoms-- is included below.

The specific comments of Mayor Flynn's proposal are modeled on successful inclusionary zoning programs in communities across the country. Currently there are at least 72 localities that have adopted inclusionary zoning programs, according to a 1984 book on the subject, Inclusionary Housing Programs, by Alan Mallach. There are 38 localities in California, 16 in New Jersey, 5 in Colorado, 2 in Illinois and New York, and 1 in Connecticut, Delaware, Florida, Maryland, Oregon, Virginia, and Washington. In Massachusetts, both Lexington and Newton have adopted inclusionary zoning programs. Attached for your information are summaries of the salient characteristics of inclusionary housing programs.

The BRA staff has discussed the various elements of inclusionary zoning programs with staffpersons from some of these communities. They have also had discussions with local developers, attorneys, housing advocates, and others. Based on these discussions, the most appropriate elements, relevant to Boston's housing market, have been included in the proposed amendment.







The major components of the proposed amendment are the following:

1. Inclusionary Unit Requirements

Developers of housing projects with ten or more units shall set-aside ten percent of all units for affordable housing. Five percent are targeted to low-income residents and five percent are targeted to moderate-income residents. Rental developments outside the Downtown or the Waterfront with less than 25 units are excluded.

2. Low- and Moderate-Income Housing

Low-income refers to a household earning no more than 50 percent of the Boston SMSA median income. Moderate-income refers to a household earning no more than 80 percent of Boston SMSA median income. Upper-moderate income refers to a household earning no more than 110 percent of Boston SMSA median income. The current Boston SMSA median income, for a family of four, is \$34,000. Households are expected to pay no more than 30 percent of their income for housing expenses. The following chart summarizes the affordable housing goals.

Category	Income (Four person households)	Monthly rent or housing costs	Home price (with 8.5% mortgage)
Low	\$17,000	\$425	\$46,000
Moderate	\$27,200	\$680	\$74,000
Upper moderate	\$37,400	\$935	\$101,200

\*For all inclusionary for-sale units, the City will utilize the new Homeownership Opportunity Program sponsored by EOCD and MHFA. The current mortgage interest rates for eligible homebuyers are 5.5% and 8.5%, depending on income and sales price.

3. Inclusionary Time Requirements

Inclusionary for-sale units must remain affordable to low- and moderate-income residents for 30 years. Inclusionary rental units must remain affordable to low- and moderate-income residents for 10 years. Deed restrictions on for-sale units will limit the annual resale price to five percent, thus guaranteeing long-term affordability without providing a "windfall" profit to the homebuyer.

4. General requirements

Inclusionary units shall be comparable to the non-inclusionary units in all respects as to design, construction quality, appearance, services, and bedroom mix. Inclusionary units







shall be developed before or simultaneously with other units within the same development.

5. Periodic reformulation

The requirements in this amendment shall be subject to review by the Authority every three years. The Authority shall consider the supply of affordable housing, the rental vacancy rate, and the overall condition and strength of the housing market.

6. Triggering Mechanism

Developments covered by this amendment include, but are not limited to, those that seek an increase in FAR or height.

7. Compliance

The Commissioner of Inspectional Service shall not issue a certificate of occupancy unless the Authority has approved a "Certificate of Inclusionary Housing Compliance." In addition, the Neighborhood Housing Trust, or its designee, shall have the first option to purchase or rent all inclusionary units. The Trust, or its designee, will issue a certificate indicating that the inclusionary units have been sold or rented to eligible residents at the approved rent or sales price.

The need for an inclusionary zoning policy can be demonstrated. Boston suffers from a severe shortage of affordable housing. In this tight housing market, it is extremely difficult for low-moderate and moderate-income persons to find decent housing. Many households are forced to live in unsafe, unsanitary, or overcrowded housing, or forced to pay more than they can reasonably afford for their shelter needs.

In recent years, Boston has experienced a dramatic population increase from 562,000 in 1980 to 621,000 in 1985. This is a reversal of a three-decade population decline. This population growth, triggered by economic expansion and new jobs - which is expected to continue throughout this century - puts intense pressure on the city's housing market. It fuels increases in both rents and sales prices. The continued withdrawal of the federal government from its traditional commitment to provide affordable housing contributes to this problem.

Boston's housing market is currently the "hottest" in the nation. Single-family home prices in metropolitan Boston averaged \$144,800 in 1985, the highest of any area in the United States. This figure







represented a 38 percent increase within a year, the greatest increase in the nation. As a result, many Boston residents are increasingly unable to share in the "American dream" of homeownership.

°Between 1975 and 1985, the average price of a single family home in Boston increased from \$25,000 to \$112,000. The biggest increase has occurred since 1983.

°During that same period, the average price of a two-family home in Boston increased from \$25,000 to \$121,000. Three-family homes rose from an average sales price of \$20,000 to \$116,000.

°Boston's homeownership "affordability gap" has been steadily widening. In 1970, the average single-family home cost \$20,000, which required an income of \$4,600 to purchase; the average household income at the time, \$6,936, was over 150% of that. By 1980, the typical home cost \$36,000, requiring a \$16,400 income to afford; the average household income, however, was only \$12,390 -- 75% of the necessary income. In 1985, the gap had widened further. It took an income of \$41,000 to afford the average \$112,000 house, but the average household income of \$19,262 was only 46% of what was required.

The skyrocketing cost of homeownership puts severe pressure on the city's rental housing stock. Middle-income residents, shut out of the homeownership market, drive up rental prices by competing with low-income and moderate-income residents for scarce rental housing.

Because Boston is primarily a city of renters, its residents are particularly susceptible to fluctuations in the housing market. Renters comprise approximately 70 percent of Boston's households.

The shortage of affordable housing is reflected in the almost invisible vacancy rate for private rental housing. Boston's rental vacancy rate is below three percent, perhaps the lowest of any major American city.

The intense housing market pressures are reflected in skyrocketing rents, a growing rent-to-income squeeze, and increasing difficulty in finding an apartment at all.

°Advertised rents in Boston increased between 18 and 31 percent annually (depending on bedroom size) between 1982 and 1985.





°The average advertised two-bedroom apartment rent rose from \$515/month in 1982 to \$863/month -- a 25 percent annual increase.

°Low and moderate-income renters represent 42 percent of all Boston tenants, but low and moderate-rent apartments (affordable to low-income and moderate-income renters) represent only 32 percent of all available apartments.

°Low-income renters represent 27 percent of all Boston tenants, but low-rent apartments (affordable to low-income renters) represent only 16 percent of all available apartments. The decline of lodging houses, and the conversion of affordable apartments to expensive condominiums, has contributed to this widening gap.

°Boston renters paying over half their income for rent rose from 12 percent in 1980 to 21 percent in 1985.

°The Boston Housing Authority's waiting list for public housing has almost doubled -- from 6,783 to 12,500 low-income households -- between November 1982 and June 1986.

°The typical waiting period to get into Boston public housing has grown from three years in 1982 to five years in 1986.

°Among those fortunate enough to receive BHA-administered rent certificates, the "success rate" for those seeking apartments has declined from 75 percent in 1982 to 50 percent in 1986.

°The number of homeless individuals, unable to find permanent shelter, has increased significantly in recent years. Conservative estimates place the number of homeless persons in Boston at anywhere from 2,000 to 5,000.

The BRA staff has found that Boston's housing prices are increasingly beyond the reach of low- and moderate-income residents. The overall expansion of the housing supply will not, on its own, benefit those low- and moderate-income persons. Special efforts must be made to target housing opportunities and choices to these residents.





Boston's very strong housing market provides the appropriate conditions for adopting an inclusionary housing program. The staff has determined that market conditions are strong enough to sustain a ten percent set-aside for affordable housing without dampening the investment climate for housing in Boston. Review of housing developments before the Authority staff provide evidence that developers can satisfy the requirements needed to obtain financing within the inclusionary zoning guidelines.

The seriousness of the housing crisis, the feasibility of the program in light of Boston's strong housing market, and the implementation program drawn from the success of similar programs elsewhere, lead the Authority staff to recommend the adoption of Mayor Flynn's inclusionary zoning proposal.

An appropriate vote follows:

VOTED: That the Director is hereby authorized to petition the Zoning Commission for an amendment to the Zoning Code establishing inclusionary housing requirements in substantial accord with the draft submitted to the Authority at its meeting of July 10, 1986. The seriousness of the housing crisis, the feasibility of the requirements in light of Boston's strong housing market, and the success of similar programs elsewhere, lead the Authority to recommend the adoption of this inclusionary zoning proposal.





FROM THE MOST RECENT DRAFT OF "LOCAL INITIATIVES FOR AFFORDABLE HOUSING" An Evaluation of Inclusionary Housing and Linkage Programs in the MAPC Region June, 1986, MAPC

I. LOCAL PROGRAMS

To illustrate how each community has adapted the concept of inclusionary zoning or linkage requirements to meet its own affordable housing needs, this section of the report will outline the components of Lexington's Inclusionary Housing Policy, Newton's 10% Ordinance, Reading's Inclusionary Housing Program, and Boston's Linkage Regulations. Other communities in the MAPC region may use this outline to compare the intentions of the existing programs and consider what aspects are most appropriate for their local situations, should their municipality decide to adopt an inclusionary housing program to help meet their need for affordable housing.

For each community's program, the following issues will be summarized:

1. Program requirements,
2. Incentives for developers,
3. Location of units,
4. Quality and character of units,
5. Who benefits,
6. Management,
7. Preservation of affordability,
8. Outcome.





## LEXINGTON

Lexington uses an inclusionary housing policy whereby developers, seeking a rezoning from the Town Meeting to allow multi-family use, are required to create housing units for low- and moderate-income families in order to obtain a "favorable recommendation from the planning board for an increase in density." These units may be located either within the proposed residential development or elsewhere in town. Under the first version of the policy (1979), the Lexington Planning Board required that 10% of the units in a proposed development be set aside for low-income housing in return for an increase in density. In 1980, the Board increased the percent of inclusionary units to 20%. No units were obtained under this 20% requirement, however. In 1985, Lexington adopted a more diverse and flexible policy. The revision was the result of both economic and political pragmatism:

Federal subsidies for the construction of lower-income housing was diminishing,

A program which relied on private resources to create mixed-income housing had to provide potential participating developers a variety of ways to meet the inclusionary requirement to be economically feasible in Lexington's housing market, and

Because the program relied on a two-thirds majority vote at town meeting to provide the rezoning or density increase, the program had to include housing options for moderate and middle income residents to gain local approval for any new mixed-income residential development.

### Requirements

At present, the Lexington Inclusionary Housing Policy requires, as a condition for granting an increase in density greater than that allowed by right, that:

1. 5% of the units in the development be donated by the housing developer to the Lexington Housing Authority for low-income tenancy, or
2. 15% of the units in the development be offered to the Lexington Housing Authority for purchase at levels established by the housing subsidy programs, or
3. 25% of the units in the development be set aside as moderate-income units to be purchased or rented by eligible households, or
4. 40% of the units in the development be set aside as middle-income units to be purchased by eligible households.





A selected percentage of the units in the development may be located off site. If the developer is unable to meet the requirements above, the developer may elect to make a financial contribution to the Lexington Housing Authority (LHA) or the Lexington Housing Assistance Board (LexHAB) in lieu of providing the units. The cash contribution must be equal to 3% of the sales price of all the units in the development.

### Incentives

Developers receive the Planning Board's support for their Town Meeting warrant article to rezone the land to allow for an increase in density, only if they comply with the Inclusionary Housing Policy.<sup>5</sup> However, developers still must present their residential development proposal to the Town Meeting and receive a favorable 2/3 majority vote in order to secure the necessary rezoning. The same concept has been applied to the sale of municipal properties, such as surplus schools. Developers are given the opportunity to purchase the property at a reduced cost when they donate some of the units to the Town, or sell some or all of the units as affordable, limited-equity condominiums. Additional incentives the Town is studying include:

- Accelerated processing of applications,
- Flexibility in site planning,
- Additional density bonuses,
- Use of vacant town-owned land,
- Sharing costs of public improvements, and
- Assistance in obtaining state and federal funding.

### Location

In most cases, dwelling units are required to be located on site, and to be dispersed within the proposed development. However, if this option is not possible, developers may elect to locate a selected percent of the units elsewhere in Town if they are newly created units, or if they are located within existing structures and there will be a net increase in the number of units within that structure once it has been rehabilitated.

### Quality and Character

The units provided by the developer must be "compatible with and nearly indistinguishable from the market-rate units in terms of exterior appearances."<sup>6</sup> The policy acknowledges that the units may be smaller than the market-rate units, or have fewer amenities as a cost-saving measure.





### Who Benefits

Lexington's current target populations are families in any of four specific income categories, as defined in the table below:

#### LEXINGTON HOUSING POLICY TARGET GROUPS

Income Group	Definition	Income range FY 1986 (Four-person family)
Very Low Income	Below 50% of SMSA Median	Below \$17,000
Low Income	50% - 80% of SMSA Median	\$17,000 - \$27,200
Moderate Income	80% -120% of SMSA Median	\$27,200 - \$40,800
Middle Income	120% -150% of SMSA Median	\$40,800 - \$51,000

As a Town policy, the Planning Department prefers the construction of rental units for these family households, but it is the developer who proposes the percentage of units to be constructed, the populations to be served, and whether units will be made available for rent or purchase.

### Management

The Lexington Housing Authority owns and manages all of the lower-income rental units which are donated to or purchased by the Town through the Inclusionary Housing Policy. If funds for purchase are not available, the developers may continue to own and manage the affordable rental units within their developments. Developers may either select tenants from a list of eligible families, or may generate their own tenant list which must be verified before the units can be occupied.

A newly created entity, the Lexington Housing Assistance Board (LexHAB), currently staffed by a volunteer board, was set up in Lexington with an increasingly important role as the Inclusionary Housing Program in Lexington continues to grow and develop. LexHAB will be responsible for:

- Monitoring the sale and resale of limited-equity units,

- Verifying income eligibility of the applicants for these units,

- Verifying the incomes of potential moderate- and middle-income tenants of rental units targeted to those income categories.





It is anticipated that LexHAB will also be the recipient of cash donations from developers who select that option in lieu of providing actual units. The goal of LexHAB is to use this financial source as well as others to develop new affordable housing in Lexington.

#### Preservation of Affordability

Through controls,<sup>7</sup> either on rental levels, or resale values, Lexington plans to keep the housing units affordable for an indefinite period of time. Both ongoing rental and resale levels are determined, primarily, by the ability of target-income groups to rent or purchase the unit and are only secondarily related to inflation. Resale prices on one converted school were determined by the original acquisition price plus an annual allowance for appreciation of value equal to an increase in the Consumer Price Index for the Boston area or 4%, whichever was less. The Town is analyzing other methods for calculating the maximum annual increase in value which will be allowed on the units. These other indices include:

The annual increase in the wage component of the Consumer Price Index for the Boston metropolitan area,

The percentage increase in the median income for families in the Boston metropolitan area,

The increase in the buyer's initial cash investment (not the resale value of the housing unit) in an alternative form of investment, such as a long term certificate of deposit.

#### Outcome

To date, 19 low-income rental units and 61 moderately-priced condominiums have been completed and occupied. 38 units -- 10 low-income rental units, and 28 moderate-income rental units -- are under construction. An additional 61 units -- 26 low-income rental units and 35 moderate-income rental units have been approved by Town Meeting vote.

Developers have promised or already contributed \$1,300,000.00 to the Lexington Housing Assistance Board (LexHAB) thus far. Some of this money has been used to purchase the low-income units noted above.





## FACT SHEET ON LEXINGTON (MASS.) INCLUSIONARY ZONING PROGRAM

### History

In 1980 the Town of Lexington adopted a comprehensive plan to provide greater housing diversity and choice. Lexington's Inclusionary Zoning policy requires construction of affordable housing as a condition of granting zoning variances for increased density.

### Policy

A developer may use one of several alternatives to comply with the policy. All units have restrictions to guarantee long-term affordability. The options are:

- \* 5% of all units.....Low-income units donated to Lexington Housing Authority;
- \* 15% of all units.....Low-income units purchased by Lexington Housing Authority at allowable cost;
- \* 25% of all units.....Moderate-income units purchased or rented by eligible households; or
- \* 40% of all units.....Middle-income units purchased by eligible households.

### Results

As of May 1986, Lexington's Inclusionary Zoning program has successfully expanded affordable housing options.

- \* Eight housing developments, totaling 639 units, have been built (or are in the pipeline);
- \* 177 of these units (27.7%) are "inclusionary" units.
- \* 55 of these units (8.6%) are targeted for low-income persons.
- \* 122 of these units (19.1%) are targeted for moderate-income persons.





## NEWTON

In the MAPC region, Newton is the community with the most experience with an inclusionary housing program, a program which in Newton is called the Incentive Zoning Program. The earliest uses of the inclusionary housing concept began on a case-by-case basis around 1968-69. In 1972, the Board of Aldermen passed a 10% Zoning Ordinance; it was subsequently revised in 1977. Today, further revisions to the Ordinance are being proposed. Each change has represented a further tightening and clarification of the requirements imposed on developers when they seek a special permit to increase the density for their residential development beyond that granted by right in the City's Zoning Ordinance.

The 1977 Ordinance is in effect and is discussed below. The proposed revisions are noted as well.

### Requirements

Whenever a developer seeks to increase the density of a residential development, the Board of Aldermen requires:

1. 10% of the total number of dwelling units be provided within the development for low-income family and/or elderly households, or
2. a cash payment equivalent in value to the units which otherwise would have been provided within the development be made available for the creation of low-income family and/or elderly housing, or
3. provision of all or some of the required units on a site different from the development, or
4. provision of all or some of the required units through a combination of any of all of the methods listed above.

While developers can make proposals, the Board of Aldermen ultimately decides which option to apply to each development. The Aldermen have generally required that the units be offered to the City of Newton for purchase at a price consistent with limits established by the funding agency for the relevant state public housing programs. If the City cannot secure the public housing funds for purchase of the units, the developer is required instead to make them available for rent, through the Newton Housing Authority, to eligible Section 8 Certificate Holders for a period of 15 years.

Proposed requirements would place an emphasis on housing units located on-site, within the development.





## Incentives

In Newton, a developer receives a special permit from the Board of Aldermen to increase the density of the proposed residential development for apartment houses, hotels, garden apartments, or attached dwellings to a level greater than that allowable as a matter of right. Based on the Newton Planning Department's recommendations regarding site and infrastructural capacity, the Board of Aldermen establishes what density bonus can be offered to the developer.

## Location

In both the 1977 Ordinance and the proposed revision, the Board of Aldermen determines the location of the units which the developer must provide the city.

If the developer is allowed to provide the required units off-site, he/she must either construct them, or purchase and rehabilitate them in the same ward as the development. The proposed revision places more emphasis on locating units on-site, requiring the developer to provide double the percent of units if they are located off-site. Also, the revision requires newly built units unless the developer can purchase and rehabilitate an existing unit which has been vacant for two years. On-site units must be dispersed throughout the development in locations selected by the Aldermen.

## Quality and Character

In both the present and proposed ordinances, the Board of Aldermen determines the units' sizes and occupancy characteristics - whether family or elderly households. Units created early in the history of the 10% Ordinance were not always equivalent to those units sold at the market rate. The quality depended upon the developer, and was somewhat downgraded, offering fewer amenities than the market-rate units.

While the existing amendment makes no mention of the quality and character requirements of on- or off-site units, the Newton Board's proposed revision is specific: units located off-site are required to have a fair-market value of the median assessed value of a single-family residence whether the unit is rehabilitated or newly built. Units located on-site must be equivalent in size, quality, and character to other units in the development.

## Who Benefits

Low-income family and elderly households seeking to rent housing in Newton benefit from the program. While they need not be Newton residents, they must be Section 8 Certificate Holders who have applied to the Newton Housing Authority for rental housing, or must be eligible for public housing placement and be registered on the Newton Housing Authority's waiting list.<sup>10</sup> Income levels are set by federal (in the case of Section 8 Certificate Holders) and state guidelines (public housing eligibility).



FEDERAL AND STATE GUIDELINES, EFFECTIVE JANUARY 1, 1986

<u>Family Size</u>	<u>Income Ceilings for Section 8 Certificates</u>	<u>Income Ceilings for Public Housing</u>
1	\$11,900.	\$14,476.
2	13,600.	16,544.
3	15,300.	18,612.
4	17,000.	20,680.
5	18,350.	21,972.
6	19,700.	23,265.
7	21,000.	24,557.
8	22,450.	25,850.

Management

The Newton Housing Authority manages and maintains units which the City of Newton acquires by purchase or donation from the developer. From their lists of families or elders eligible for public housing placements, the Housing Authority fills vacancies as they arise or when new units become available.

Developers, who retain ownership of rental units created through the special permit process, maintain and manage the designated inclusionary units. When inclusionary units are vacated and become available, the Newton Housing Authority notifies all eligible Section 8 Certificate Holders on their waiting list, but the developers/owners screen and select the tenants. They receive rent from the tenant as well as the state subsidy to maintain the unit and cover condominium association costs when the rental units are part of a condominium development.

Preservation of Affordability

At present, under the existing ordinance, if the City of Newton acquires the inclusionary units, the Newton Housing Authority manages and maintains them as it does any other type of public housing; however, in this case the units are owned by the Newton Community Development Authority, not by the Housing Authority. Thus, the affordable units created will be preserved for low-income tenants indefinitely. If the affordable units are to be leased, the developers, who retain ownership of the units, are required to make them available to eligible tenants for a period of 15 years.

If the revised ordinance is passed, the 15-year rental period would be extended to 40 years whether or not a rent subsidy program exists. If no subsidy exists, the developer will be required to lease the units to eligible tenants for not more than 30% of their gross incomes. The City of Newton would have the option to buy these units from the developer at the fair-market rate at the end of the 40-year period.





Outcome

As of April 1986, 46 rental units for low-income elderly households and 68 rental units with two or more bedrooms for low-income families are either in the planning and construction stages, or are already completed and occupied -- a total of 114 low-income rental units. In addition, another 66 low-income rental units -- 58 elderly and 8 family units -- have been provided by developers who converted two schools in Newton.

The City has received a \$20,000 cash donation in lieu of inclusionary units from the developer of one small parcel, and additional cash payments from other developers who also provided units.





## READING

In April 1985, Reading passed a new amendment to the zoning bylaws which allows townhouse development under a special permit process.<sup>11</sup> The bylaw was originally proposed by a developer who wanted to build a townhouse condominium development, but could not do so under the prevailing zoning bylaws. Under the amendment, if the Reading Housing Authority determines at the time of the proposal for a new townhouse development, that there is a shortage of low- and/or moderate-income housing or elderly housing in the town, the Board of Appeals shall impose a general condition to the issuance of that special permit which would require the developer to create affordable housing units. The new inclusionary bylaw has yet to be utilized, but the proposal put forth by the developer who initially suggested the inclusionary program may be the first.

### Requirements

Reading requires that developers seeking approval for townhouse construction:

1. Restrict up to 10% of the total townhouses within the development for low- and/or moderate-income housing or elderly housing, or
2. Provide up to 10% of the total number of units in the development elsewhere in town, or
3. Provide an alternative cash contribution to be used by the Reading Housing Authority to provide low- and/or moderate-income housing or elderly housing.

The Reading Housing Authority defines the required option and determines whether the units will be located on- or off-site. Should the Housing Authority require the developer to make a cash contribution, the amount due is calculated according to the formula below:

$$\frac{\$2,000}{1/85} \times \text{Number of Units} \times (\text{CPI at time of application} / \text{CPI prior to } 1/85)$$

### Incentives

Under the special permit process, the town allows developers to construct townhouses instead of single-family residences, and gives them an increase in density beyond that allowed by right. The Reading bylaw creates a firm density ceiling by allowing a developer to construct no more than 5 units per acre, and requires a minimum of 15 acres.



### Location

At the time of the special permit petition, the Reading Housing Authority determines where the developer must locate the required units. The amendment makes no mention of the dispersal of the units if they are located on-site. Off-site units may be newly constructed or provided through the purchase of existing units. If the latter course is chosen, there is currently no provision requiring that the units be vacant.

### Quality and Character

The zoning bylaw amendment also leaves undefined how the units provided on-site will compare to the market-rate units in terms of quality and character. However, the amendment requires the developer to upgrade off-site units to conform with state building code regulations, and gives the Reading Housing Authority the authority to impose further regulations which the developer must meet.

### Who Benefits

In Reading, low- or moderate-income families or elderly households will be eligible for placement in the units. At this time, the Reading Housing Authority states the greatest need is for low-income family units; it will require the provision of such units where feasible. The Housing Authority will use state guidelines to determine low-income eligibility.

### Management

The developer of the townhouse development will retain ownership of the units, and manage and maintain them. It is unclear at this time whether the tenants will come from the Reading Housing Authority's waiting list, or whether the developer will advertise for low-income households to fill vacancies. This issue will undoubtedly be addressed with the first inclusionary project.

### Preservation of Affordability

Nowhere in the amendment is there a discussion of the length of time the developer/owner must make the provided units available to low- or moderate-income households, nor does the amendment state what might happen to the units should the developer sell them. Presumably, this issue will be resolved by the Board of Appeals during individual project review.

### Outcome

Reading has adopted the bylaw establishing its inclusionary housing program only recently. At this writing, no units have been created.





## BOSTON

The first Boston Linkage Program became effective at the end of 1983. It required developers to pay an impact fee of \$5 per square foot in excess of 100,000 square feet over a period of 12 years. In April 1986, the Zoning Commission adopted the Boston Redevelopment Authority's text amendment which revised the Development Impact Project Regulations for housing. The revision shortened the payment period<sup>13</sup> from 12 to 7 years, and changed some of the language in the amendment.

The purpose of the article, as stated in the Zoning Code Amendment, is to "...establish a balance between new large-scale real estate development and the housing needs of the City, and to mitigate the impacts of large-scale development on the available supply of low- and moderate-income housing."<sup>14</sup> The program guarantees neighborhoods money to create or restore low-/moderate-income housing through the Neighborhood Trust when developers build or renovate large retail business, service, institutional, educational or hotel structures downtown.

### Requirements

Developers of new or renovated retail business, service, institutional, educational or hotel/motel structures or developers whose projects directly reduce the supply of low- and moderate-income dwelling units are required to:

1. Contribute a Housing Grant of \$5 for each square foot in excess of 100,000 square feet to the Neighborhood Housing Trust in 7 annual installments. or
2. Contribute to the creation of housing units for low-/moderate-income residents of the City at a cost at least equivalent to the amount of the Housing Contribution Grant due.

### Incentives

The City grants developers variances, conditional use permits, and exception or zoning map or text amendments for their project. Partially in response to those who criticize added density and height bonuses in the central business district, the revised amendment will attempt to lure developers out of the downtown area to less developed areas on the fringes of the central core where the BRA believes density and height increases will have less impact. In some cases, the program will actually link desirable downtown parcels to parcels in blighted neighborhood areas.

### Who Benefits

The primary beneficiaries of the program will be low- and moderate-income residents of the City of Boston; those households whose total annual income is not more than 80% of the median income for the Boston area as set forth by the U.S. Department of Housing and Urban Development's regulations.





### Location

The Neighborhood Housing Trust will construct new housing within City neighborhoods. Depending on the location of the new Development Impact Project, 10% to 20% of the Housing Contribution Grant shall be reserved for the "impacted" neighborhood(s) -- the neighborhood(s) where the new development is to be located or the neighborhood(s) adjacent to it. The Boston Housing Partnership may funnel some of the monies to local community development corporations to rehabilitate and/or construct new low- and moderate-income housing units in the "impacted" neighborhoods or other City neighborhoods.

### Management

While the Neighborhood Housing Trust will receive and administer monies collected from developers of impact projects, the management issues such as selection of tenants, monitoring of sales and resales, and other issues relating to the program are not clear at this time.

### Outcome

The Neighborhood Housing Trust will receive an estimated \$34-35 million dollars spread over 12 years from developers who received project approvals under the provisions of the first amendment.



# LEXINGTON INCLUSIONARY HOUSING POLICY PROGRAM OUTLINE

BENEFICIARIES	PROGRAM REQUIREMENTS	INCENTIVES	MANAGING AGENCIES	AFFORDABILITY CONTROLS
Families with very low, low, moderate or middle-income.	<ul style="list-style-type: none"> <li>5% development's d.u. donated to LHA for low-income tenancy, or</li> <li>15% development's d.u. offered for sale to LHA for low-income tenancy, or</li> <li>25% development's d.u. set aside for purchase/lease by eligible moderate-income households, or</li> <li>40% development's d.u. set aside for purchase by eligible middle-income households, or</li> <li>Cash payment to LHA or LexHAB, equivalent to 3% of sales price of all units in development (if efforts to provide d.u. through above options prove fruitless).</li> </ul>	<p>Housing developer gains favorable recommendation from LPB for his/her proposal for increase in density.</p> <p>Reduction in cost of surplus municipal buildings for conversion to housing.</p>	<p>Developer proposes how he/she will meet requirement.</p> <p>LHA manages &amp; maintains units for low-income tenancy which have been purchased from or donated by the developer.</p> <p>LexHAB monitors sale &amp; resale of limited-equity units, verifies income eligibility of applicants of these units, and verifies incomes of potential moderate-income tenants of rental units.</p> <p>Developers who retain ownership of units, manage &amp; maintain these units.</p>	<p>Units donated to or purchased by LHA or LexHAB affordable indefinitely.</p> <p>Units retained by developers &amp; leased to eligible households have provisions for control on rental units for an indefinite time.</p> <p>Units sold to eligible moderate/middle-income households have resale controls.</p>

1. Some/all affordable d.u. may be located off-site of development if units are newly created or located in an existing structure if their construction constitutes a net increase in the number of d.u. in the structure.
2. Purchase price is established by housing subsidy program.

d.u. - dwelling unit  
 LPB - Lexington Planning Board  
 LHA - Lexington Housing Authority  
 LexHAB - Lexington Housing Assistance Board.





# NEWTON 10% ORDINANCE PROGRAM OUTLINE

BENEFICIARIES	PROGRAM REQUIREMENTS	INCENTIVES	MANAGING AGENCIES	AFFORDABILITY CONTROLS
<p>Low-income families &amp; elderly households who either hold Section 8 Certificates or are eligible for public housing assistance.</p>	<ul style="list-style-type: none"> <li>• 10% development's d.u. offered for sale 1 to City of Newton for low-income tenancy, or</li> <li>• Provision of all/some of required d.u. on a site different from development, but within the same City ward, or</li> <li>• Cash payment equivalent in value to units which otherwise would have been provided within the development, or</li> <li>• A combination of any/all of the above methods.</li> </ul>	<p>Special permit granted by the Board of Aldermen for apartment house, hotel, garden apartments or attached dwellings. An increase in density for proposed residential development to a level greater than allowed by right.</p> <p>Reduction in cost of surplus municipal buildings for conversion to housing.</p>	<p>Board of Aldermen determines requirements.</p> <p>NCDA owns units acquired by purchase or developer donation.</p> <p>NHA manages these units &amp; rents them to households eligible for public housing assistance.</p> <p>NHA maintains lists of eligible Section 8 Certificate holders &amp; notifies them of a unit available from the developer.</p> <p>Developers, who retain ownership of units, manage &amp; maintain these units.</p>	<p>If money to purchase units is not available, the developer must lease units to tenants eligible for federal or state subsidy program for 15 years.</p> <p>Units purchased by NCDA remain affordable indefinitely.</p>

## 1. Purchase price is established by housing subsidy program.

- d.u. - dwelling unit
- NHA - Newton Housing Authority
- NCDA - Newton Community Development Authority





# READING LINKAGE PROGRAM PROGRAM OUTLINE

BENEFICIARIES	PROGRAM REQUIREMENTS	INCENTIVES	MANAGING AGENCIES	AFFORDABILITY CONTROLS
Low and moderate income families and elderly households.	<ul style="list-style-type: none"> <li>10% development's d.u. set aside for lease to low or moderate-income families or elderly households, or</li> <li>Provision of all/some of required d.u. on a site different from the development, elsewhere in town, or</li> <li>Cash payment to RHA equal to \$2,000 X No. Units X (CPI at time of application/CPI prior to 1/85).</li> </ul>	<p>Granting of a special permit to construct townhouses at a level of density greater than that allowed by right.</p>	<p>Developer will own, manage, and maintain units.</p> <p>RHA determines the option, where units will be located.</p>	Uncertain at this time.

d.u. - dwelling unit  
RHA - Reading Housing Authority  
CPI - Consumer Price Index



**BOSTON LINKAGE PROGRAM  
DEVELOPMENT IMPACT PROJECTS - HOUSING\*  
PROGRAM OUTLINE**

BENEFICIARIES	PROGRAM REQUIREMENTS	INCENTIVES	MANAGING AGENCIES	AFFORDABILITY CONTROLS
Low and moderate-income residents of the City of Boston.	<p>Developers of new or renovated retail business, service, institutional, educational or hotel-motel structures or developers of projects which directly result in a reduction in the supply of low &amp; moderate income dwelling units are required to:</p> <ul style="list-style-type: none"> <li>• Pay a Housing Contribution Grant of \$5/sq. ft. in excess of 100,000 sq. ft. in 7 annual installments to the Neighborhood Housing Trust, or</li> <li>• Create or cause the creation of housing units for low or moderate-income residents of the City at a cost at least equivalent to the amount of the Housing Contribution Grant due.</li> </ul>	<p>Receipt of a variance, conditional use permit, exception or zoning map or text amendment for the project.</p>	<p>NHT will receive and administer monies from the development impact exactions.</p> <p>Other management issues are unresolved at this time.</p>	<p>No units yet produced. Provisions unknown.</p>

\* A companion amendment (105) will require developers to contribute an additional \$1/sq. ft. in excess of 100,000 sq. ft. in 2 annual installments. The extra \$1 will be used for the creation and funding of job-training programs.

NHT - Neighborhood Housing Trust





## OTHER LOCAL PROGRAMS

Programs in five other communities in the MAPC region deserve mention in this report.

Cambridge has proposed an inclusionary housing program which requires developers of new residential, office, institutional and retail projects to provide low- and/or moderate-income family housing. Details of the proposal are included in the Appendix of this report. While the City Council has not been able to gain the required 2/3 majority vote needed to pass the ordinance, the Planning Board, which recently completed a local housing need study, recommends that developers be encouraged to comply with the proposal's requirements voluntarily.

Hingham, Concord, and Bedford have incentive zoning programs, parts of which resemble an inclusionary housing program. In Hingham, the program is tied to a special permit process which allows residential cluster developments. Under this provision, developers can receive a 10% density bonus when they allow the Hingham Housing Authority to purchase the additional units this density bonus permits. The Housing Authority will make these units available to low- and moderate-income households. No units have been built yet, but one developer has submitted a proposal.

Since 1981, Concord has allowed developers to apply for special permits to construct planned residential developments. Under this zoning bylaw, developers can receive density bonuses when they conserve significant open space or provide for low- or moderate-income housing. The bylaw allows developers to increase the number of units by 15% when 15%-40% of the total number of units in the development are low- or moderate-income housing. However, in the past 5 years since the bylaw was adopted, no developers have proposed to construct a mixed-income development.

In Bedford a bylaw almost identical to Concord's allows developers a 15% density bonus when 15%-40% of the total units in the development are set aside for low- or moderate-income housing. Similarly, the density bonus is tied to a special permit process allowing planned residential developments, as is the case in Concord. Also in Bedford, no developers have constructed planned residential developments where affordable units are created.

In Hingham, Concord, and Bedford, the density bonuses provided by the cluster or planned residential development bylaws may not be enough incentive to assure developers' participation. (See Economics of Inclusionary Housing.)

The Town of Southborough will be considering at its 1986 Spring Town Meeting a new zoning bylaw which would allow a single family or cluster developer a density bonus of up to 25%, if the extra units in some way are priced to provide more affordable homeownership opportunities. Developers who provide affordable units may also be exempted from proposed growth controls.

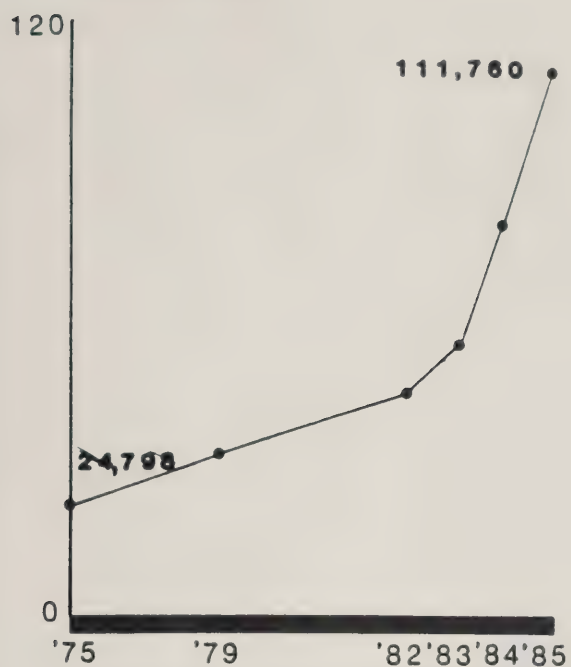


Table 1

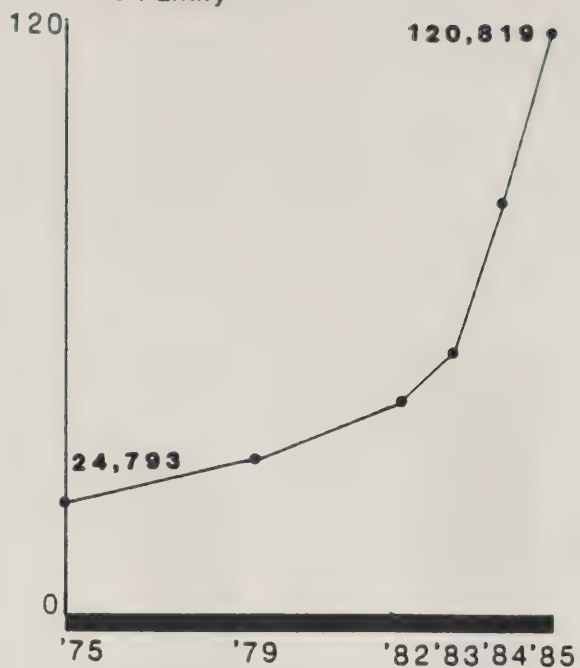
# Home Prices in Boston

(In thousands)

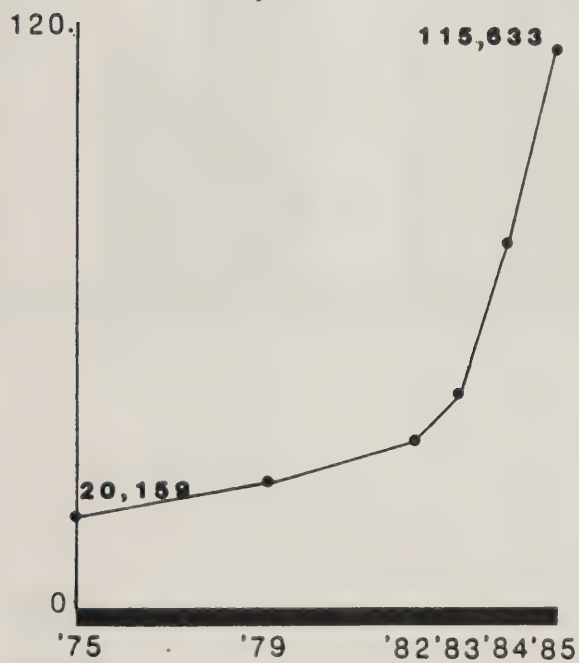
Single Family



Two Family



Three Family







# Advertised Rents in Boston 1982-1985



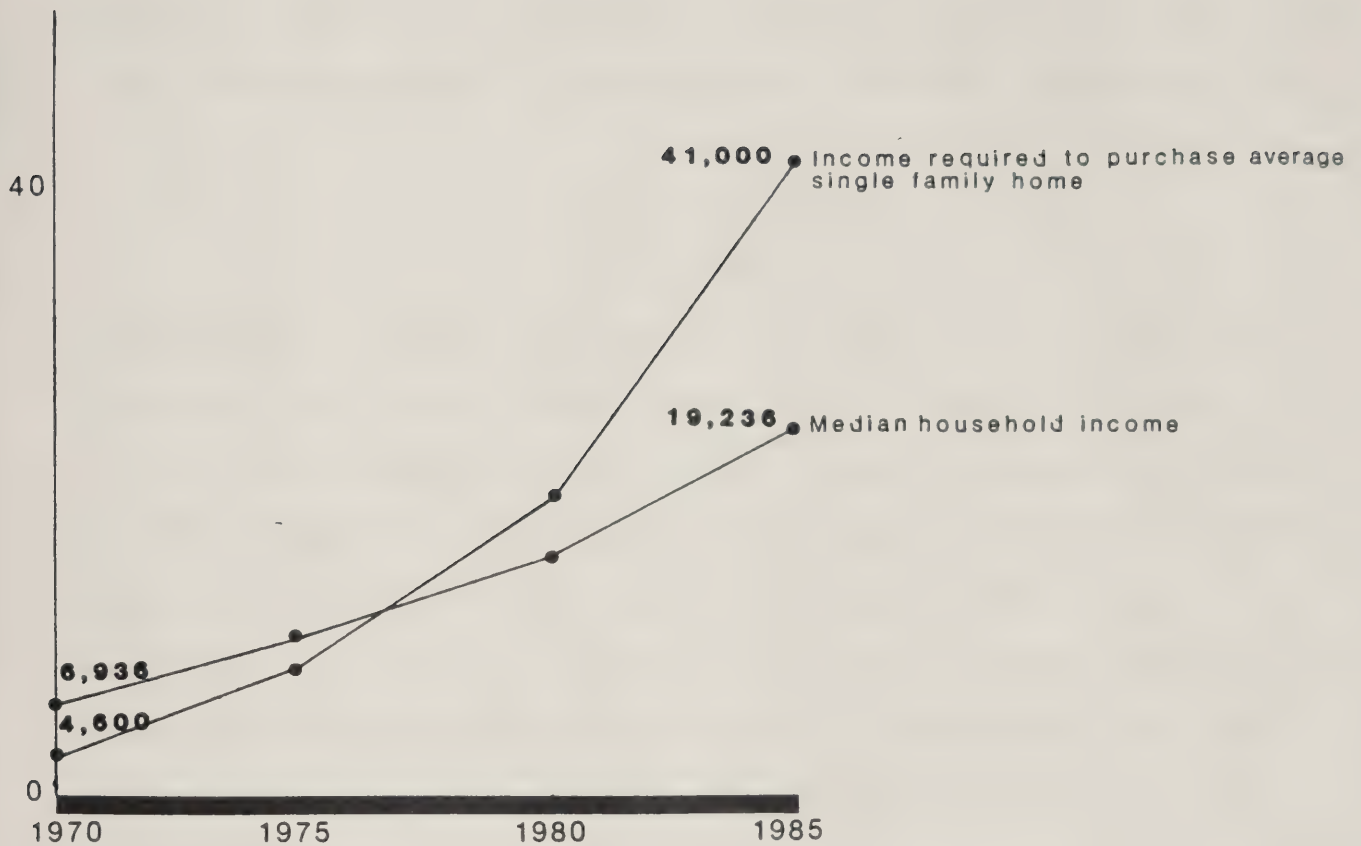
||||| Oct.-Dec. 1982

■ June-Aug. 1985



Table 2

Housing Affordability Gap in Boston







To the Zoning Commission of the City of Boston:

The Boston Redevelopment Authority petitions to amend the text of the Boston Zoning Code, as amended, by inserting after Article 28, the following Article:

Article 29

INCLUSIONARY HOUSING

SECTION 29-1. Statement of Purpose: The purpose of this Article is to promote the public health, safety, convenience and welfare; to prevent overcrowding and deterioration of existing housing; to preserve and increase the city's affordable housing stock; and to mitigate the impacts of market rate housing on the available supply of low and moderate income housing. The provisions of this Article are designed to increase the available supply of low and moderate income housing by requiring that residential developers who obtain increases in density or receive other zoning benefits shall provide affordable housing.

SECTION 29-2. Definitions: The following words and phrases shall have the meanings indicated:

- A. "Affordable Inclusionary Units," rental or market units for which the rent (including utilities) or the mortgage payments (including insurance, utilities, real estate taxes and condominium fees) for which the renting or purchasing household is responsible shall not exceed thirty percent of the household's income.



- B. "Boston Region," the Boston Standard Metropolitan Statistical Area.
- C. "Certificate of Inclusionary Housing Compliance," a certificate approved by the Boston Redevelopment Authority which provides legal assurance that a developer's obligations under this Article will be satisfied.
- D. "Developer," any individual, corporation, business trust, estate trust, partnership, or association, or any other entity or combination thereof.
- E. "Downtown," the area defined by the boundaries set forth in Section 26A-4 of the Zoning Code. .
- F. "Inclusionary Unit" shall mean any affordable inclusionary unit created in compliance with this Article.
- G. "Low Income Households", households whose total income does not exceed 50% of the median income of households in the Boston region;
- H. "Market Units," any dwelling unit available for purchase.
- I. "Median Income," the income set forth in or calculated by regulations promulgated by the United States Department of Housing and Urban Development, pursuant to Section 8 of the Housing Act of 1937, as amended by the Housing and Community Development Act of 1974.
- J. "Moderate Income Households", households whose total income does not exceed 80% of the median income of households in the Boston region;





- K. "Neighborhoods," the entire City of Boston with the exception of the Downtown and Waterfront areas.
- L. "Upper-moderate Income Households", households whose total income does not exceed 110% of the median income of households in the Boston region.
- M. "Waterfront," the area defined in the Appendix to this Article.

SECTION 29-3. Covered Projects. The following residential development projects shall be Covered Projects and shall be subject to the requirements of this Article:

- A. All projects in the Downtown and Waterfront areas that have 10 or more dwelling units;
- B. All projects in the Neighborhoods with:
  - (i) 25 or more residential rental units, or
  - (ii) 10 or more Market Units.

SECTION 29-4. Applicability. No conditional use permit, interim planning overlay district permit, exception, change of use or occupancy permit, or zoning map or text amendment which results in: an increase in floor area ratio or gross floor area; an increase in height; an increase in the number of dwelling units; a decrease in the amount of open space; or a decrease in the number of parking spaces; when such increase or decrease exceeds the limits set forth in the Zoning Code, shall be granted for a Covered Project unless the Boston Redevelopment Authority has issued a Certificate of Inclusionary Housing Compliance.



SECTION 29-5. Affordable Housing Requirements. All Covered Projects that are subject to Section 29-4 must comply with the requirements set forth below:

- A. Ten percent of the dwelling units shall be set aside as Affordable Inclusionary Units.
- B. Affordable Inclusionary Units shall be sold in accordance with the following ratio:
  - (i) Half of the units shall be set aside for Low Income Households;
  - (ii) One fourth of the units shall be set aside for Moderate Income Households;
  - (iii) One fourth of the units shall be set aside for Upper-moderate Income Households.
- C. Affordable Inclusionary Units shall be rented in accordance with the following ratio:
  - (i) Half of the units shall be set aside for Low Income Households;
  - (ii) Half of the units shall be set aside for Moderate Income Households.
- D. Affordable Inclusionary Units shall be comparable to the non-inclusionary units within the Covered Project with regard to design, appearance, services, floor area and bedroom mix.

SECTION 29-6. Income Eligibility: For purposes of renting or purchasing Affordable Inclusionary Units, low, moderate and upper-moderate income households shall be eligible for such units in accordance with the ratio set





forth in Section 29-5(B). Buyers of Inclusionary Market Units must meet the financial eligibility requirements of the Massachusetts Housing Finance Agency.

SECTION 29-7. Restrictions: The Developer of a Covered Project shall maintain the Affordable Inclusionary Unit subject to the restrictions set forth below:

- A. Upon construction of the Inclusionary Unit, the Neighborhood Housing Trust, as defined in Section 26A-2(5), or its designee, shall have the first option to purchase Market Units or to lease rental units for an amount consistent with Section 29-5. This option shall apply to the initial and subsequent sale or lease of the Inclusionary Unit within the time limits set forth in paragraphs (B) and (C) below.
- B. Rental units shall be maintained as Affordable Inclusionary Units for a period of ten years commencing from the date of initial occupancy of the unit. A ten year deed restriction shall be placed on Inclusionary Rental Units maintaining the affordability of those units within the guidelines set forth in Section 29-5.
- C. Market Units shall be maintained as Affordable Inclusionary Units for a period of thirty years commencing from the date of the initial sale of the Inclusionary Market Unit.
  - (i) All Inclusionary Market Units shall be sold with a thirty year deed restriction which limits the resale price to an amount equal to the owner's purchase price plus 5% per annum;



(ii) Such deed restriction shall also provide the Neighborhood Housing Trust or its designee with a sixty day option to purchase the Inclusionary Unit if it is offered for sale at any time within thirty years of the initial purchase of that unit.

- D. The option to purchase or lease shall extend for sixty days from the date the Developer notifies the Neighborhood Housing Trust, during which period the Neighborhood Housing Trust or its designee may identify a qualified buyer or renter for the Inclusionary Unit.
- E. If the Neighborhood Housing Trust fails to identify such a buyer or renter, or if the Neighborhood Housing Trust does not exercise its option within sixty days from notification by the Developer, the Developer shall have the right to sell or lease the Inclusionary Unit for an amount consistent with Section 29-5.

SECTION 29-8. Administration: The Boston Redevelopment Authority shall promulgate rules and regulations to govern the issuance of Certificates of Inclusionary Housing Compliance. The requirements contained in Sections 29-4, 29-5 and 29-6 shall be subject to review by the Boston Redevelopment Authority every three years from the effective date of this Article; such review shall take note of the supply of affordable housing, the rental vacancy rate, and the overall condition and strength of the housing market.





SECTION 29-9. Enforcement: No certificate of occupancy shall be issued for a Covered Project by the Commissioner of Inspectional Services unless all Inclusionary Housing Units within the Covered Project are eligible for a certificate of occupancy.

SECTION 29-10. Severability. If any provision or section of this Article shall be held invalid by a court of competent jurisdiction, such provision or section shall be deemed to be separate and apart from the remaining provisions or sections of this Article and such remaining provisions and sections shall continue in full force and effect.



## APPENDIX TO ARTICLE 29

The Waterfront area includes the waterfront of East Boston, the Inner Harbor, South Boston, Dorchester Bay and Neponset River and Charlestown and is defined by the following boundaries:

### East Boston Waterfront

Along Chelsea Street from the Chelsea River to East Eagle Street; East Eagle Street to Glendon Street; Glendon Street to Falcon Street; Falcon Street to Meridian Street; Meridian Street to London Street; London Street to Maverick Street; Maverick Street to Havre Street; Havre Street to Sumner Street; Sumner Street to Orleans Street; Orleans Street to Webster Street; Webster Street to Jeffries Street; Jeffries Street to Maverick Street; southerly on Maverick Street to the Harbor's edge.

### Inner Harbor Waterfront

From the intersection of the centerline of the North Washington Street Bridge and the north seawall; southeast along the centerline of the Bridge to the intersection of the centerline of the Bridge and the south seawall; southwesterly along the seawall until a point of four hundred feet north of Causeway Street; at the centerpoint of the North/ South Fitzgerald Expressway until Causeway Street' northeasterly along the centerline of Causeway Street until Commercial Street northerly by Causeway Street to Commercial Street; Commercial Street to Atlantic Avenue; Atlantic Avenue to Northern Avenue.

### South Boston Piers

From the intersection of Atlantic Avenue and Northern Avenue along Northern Avenue to a point on a line parallel to the water's edge at Fort Point Channel at a distance of thirty-five feet from the water's edge; southwesterly along said line to the Dorchester Avenue Bridge; southerly across said Bridge to a point on a line parallel to the water's edge at the southern bank of Fort Point Channel at a distance of thirty-five feet from said water's edge; northeast along said line to Northern Avenue; southeast along the Northern Avenue to Viaduct Road; Viaduct Road and C Street to Bolton Street; easterly along Bolton Street to Dorchester Street; north along Dorchester Street to a point on a line parallel to East Second Street at a distance of one hundred fifty feet south of the centerline of East Second Street; easterly along said line to Farragut Road; Farragut Road to the northerly boundary of Marine Park; and along the northerly boundary of Marine Park and Castle Island to the east end of Castle Island.

### Dorchester Bay Beaches and Neponset River

From the east end of Castle Island along the northerly boundary of Castle Island and Marine Park to Farragut Road; Farragut Road to William Day Boulevard; William Day Boulevard to Columbia Road; Columbia Road to Old Colony Avenue; Old Colony Avenue to a point on a line parallel to Savin Hill Avenue which is also the southerly boundary of an M-1 district lying north of Savin Hill; easterly on said line to Morrissey Boulevard; south on Morrissey





Boulevard to the northerly boundary of Malibu Beach Park; westerly along the northerly lines of Malibu Beach Park and McConnell Park to the Southeast Expressway; northerly along said Expressway to Bay Street; westerly on Bay Street to Dorchester Avenue; Dorchester Avenue to Freeport Street; Freeport Street to Morrissey Boulevard; south on Morrissey Boulevard to Victory Road; west on Victory Road to Houghton Street; southeast on Houghton Street to Pope's Hill Street; easterly by Pope's Hill Street to Salina Road and by the southern boundary of an I-2 district to Morrissey Boulevard; along Morrissey Boulevard to Gallivan Boulevard; Gallivan Boulevard to a point of an extension to Gallivan Boulevard of an M-1 district boundary line in Hallet-Davis Street; south on said line and Hallet-Davis Street to the old Penn Central tracks; along the tracks to Granite Avenue and continuing along the northwest boundary of the Metropolitan District Commission Park Reservation to Medway Street; along Medway Street to Adams Street; Adams Street to Dorchester Avenue; and Dorchester Avenue to the Milton boundary line. The Dorchester Bay Beaches and Neponset River sub-area defined under this article excludes the Port Norfolk Interim Planning Overlay District established in Article 27A.

#### Charlestown Waterfront

From the northernmost point of the Inner Harbor waterfront boundary, along a straight line from the Bridge to the easterly most point of the Cambridge/Boston boundary line; to Austin Street; northeasterly by Austin Street to Rutherford Avenue; easterly along Rutherford Avenue and Front Street to northeasterly along Front Street to Water Street, along Water Street to Chelsea Street; east on Chelsea Street to Medford Street; northwest on Medford Street to Sullivan Square; from Sullivan Square northwest on Mystic Avenue to the Somerville boundary; northeast along Somerville/ Boston boundary and Everett/Boston boundary; southwest along Everett/ Boston boundary to the boundary line in the Mystic River and along the latter boundary line to the Mystic-Tobin Bridge.



## FACT SHEET ON INCLUSIONARY ZONING

### **Q. What Is Inclusionary Zoning?**

- A. Inclusionary Zoning is a policy to expand the supply of affordable housing. It requires housing developers to provide, as a condition of zoning relief, affordable housing units as part of their proposed developments.

### **Q. Where has Inclusionary Zoning been enacted?**

- A. The number of communities that have enacted Inclusionary Zoning has expanded since the policy was first introduced in the 1970's. Currently, according to Inclusionary Housing Programs, a 1984 book on the subject by Alan Mallach, at least 72 localities have adopted Inclusionary Zoning programs. These include 38 in California, 16 in New Jersey, five in Colorado, two in Illinois and New York, and one each in Connecticut, Delaware, Florida, Maryland, Oregon, Virginia and Washington. In Massachusetts, both Lexington and Newton have adopted Inclusionary Zoning programs.

### **Q. Why is Mayor Flynn proposing Inclusionary Zoning for Boston now?**

- A. Inclusionary Zoning is part of a comprehensive housing strategy to expand the overall supply of housing in Boston. Boston is facing a severe housing crisis. Rents and home prices are skyrocketing. In fact, the National Association of Realtors latest report found Boston to be the "hottest" housing market in the nation. At the same time, the federal government is dramatically reducing funds for affordable housing. In this situation, special efforts must be made to provide housing specifically targetted to low-income and moderate-income families.

### **Q. What is Mayor Flynn's proposal?**

- A. Mayor Flynn has proposed an Inclusionary Zoning policy that requires all housing developments over nine units to set aside at least ten (10) percent of those units for low-income and moderate-income housing. The threshold for rental housing developments outside the downtown is twenty-five (25) units. Five percent are to be for low-income, 2½ percent for moderate-income and 2½ percent for upper-moderate income.





**Q. What is meant by low-income and moderate-income housing?**

A. The policy adopts the generally-accepted definitions. "Low-income" refers to a household earning no more than 50 percent of the Boston SMSA median income; "moderate-income" refers to a household earning no more than 80 percent of the Boston SMSA median income; "upper-moderate-income" refers to a household earning no more than 110 percent of the Boston SMSA median income. The current Boston SMSA median income, for a family of four, is \$34,000. Households are expected to pay no more than 30 percent of their income for housing expenses. The following chart shows the maximum income levels, rents, and sales prices affordable to these groups.

Category	Income(4 person households)	Monthly rent	Home price (with 8.5% mortgage)*
Low	\$17,000	\$425	\$46,000
Moderate	\$27,200	\$680	\$74,000
Upper-Moderate	\$37,400	\$935	\$101,200

\* For all "inclusionary" for sale units, the City will utilize the new Homeownership Opportunity Program sponsored by EOCD and MHFA. The current mortgage interest rates for eligible home buyers are 5.5% and 8.5%, depending on income and sales price.

**Q. How can developers afford to include 10 percent "affordable" units in their developments?**

A. Across the city, the housing market is strong enough to allow developers to sell or rent 90 percent of the units for market levels, 10 percent at "affordable" levels, and earn the profit necessary to make the development feasible and attractive. The City has already approved several "inclusionary" developments with at least 10 percent of the units set-aside for low- and moderate-income families. In fact, in light of its "hot" housing market, Boston is the most appropriate city in the U.S. to enact such a policy.

**Q. What will guarantee the long-term affordability of the "inclusionary" units?**

A. The City will require the developer to include resale controls (or deed restrictions) on all the low- and moderate-income "for sale" units for 30 years. This practice, which is a typical component of Inclusionary Zoning programs, limits the resale price of these units to a specified amount each year (usually the CPI) which eliminates speculation and "windfall" gains. In rental developments, the City will require the developer to maintain rents at affordable levels for ten years.



- Q. Why does Mayor Flynn's Inclusionary Zoning policy require the affordable units to be included in the same development as the market-rate units?
- A. In order for neighborhood residents to benefit from the Inclusionary Zoning program, the affordable units should be located in the same neighborhood as the primary development. In most neighborhoods of Boston, however, it would be difficult for a developer to locate and purchase suitable land to construct the "off-site" units in the same neighborhood. The time and cost for a developer to assemble private land would be prohibitive. There is little or no public land in most neighborhoods of Boston.
- Q. What is the process for enacting Inclusionary Zoning?
- A. Inclusionary Zoning will be enacted through an amendment to The Boston Zoning Code. Mayor Flynn's proposal will be reviewed by The Boston Redevelopment Authority and voted on by The Boston Zoning Commission.





## THE SHORTAGE OF AFFORDABLE HOUSING IN BOSTON

Boston suffers from a severe shortage of affordable housing. In this tight housing market, it is extremely difficult for low-income and moderate-income persons to find decent housing. Many households are forced to live in unsafe, unsanitary, or overcrowded housing, or forced to pay more than they can reasonably afford for their shelter needs.

In recent years, Boston has experienced a dramatic population increase from 562,000 in 1980 to 621,000 in 1985. This is a reversal of a three-decade population decline. This population growth, triggered by economic expansion and new jobs - which is expected to continue throughout this century - puts intense pressure on the city's housing market. It fuels increases in both rents and sales prices. The continued withdrawal of the federal government from its traditional commitment to provide affordable housing contributes to this problem.

Boston's housing market is currently the "hottest" in the nation. Single-family home prices in metropolitan Boston averaged \$144,800 in 1985, the highest of any area in the United States. This figure represented a 38 percent increase within a year, the greatest increase in the nation. As a result, many Boston residents are increasingly unable to share in the "American dream" of homeownership.



°Between 1975 and 1985, the average price of a single family home in Boston increased from \$25,000 to \$112,000. The biggest increase has occurred since 1983.

°During that same period, the average price of a two-family home in Boston increased from \$25,000 to \$121,000. Three-family homes rose from an average sales price of \$20,000 to \$116,000.

°Boston's homeownership "affordability gap" has been steadily widening. In 1970, the average single-family home cost \$20,000, which required an income of \$4,600 to purchase; the average household income at the time, \$6,936, was over 150% of that. By 1980, the typical home cost \$36,000, requiring a \$16,400 income to afford; the average household income, however, was only \$12,390 -- 75% of the necessary income. In 1985, the gap had widened further. It took an income of \$41,000 to afford the average \$112,000 house, but the average household income of \$19,262 was only 46% of what was required.

The skyrocketing cost of homeownership puts severe pressure on the city's rental housing stock. Middle-income residents, shut out of the homeownership market, drive up rental prices by competing with low-income and moderate-income residents for scarce rental housing.

Because Boston is primarily a city of renters, its residents are particularly susceptible to fluctuations in the housing market. Renters comprise approximately 70 percent of Boston's households.

The shortage of affordable housing is reflected in the almost invisible vacancy rate for private rental housing. Boston's rental vacancy rate is below three percent, perhaps the lowest of any major American city.

The intense housing market pressures are reflected in skyrocketing rents, a growing rent-to-income squeeze, and increasing difficulty in finding an apartment at all.





°Advertised rents in Boston increased between 18 and 31 percent annually (depending on bedroom size) between 1982 and 1985.

°The average advertised two-bedroom apartment rent rose from \$515/month in 1982 to \$863/month -- a 25 percent annual increase.

°Low and moderate-income renters represent 42 percent of all Boston tenants, but low and moderate-rent apartments (affordable to low-income and moderate-income renters) represent only 32 percent of all available apartments.

°Low-income renters represent 27 percent of all Boston tenants, but low-rent apartments (affordable to low-income renters) represent only 16 percent of all available apartments. The decline of lodging houses, and the conversion of affordable apartments to expensive condominiums, has contributed to this widening gap.

°Boston renters paying over half their income for rent rose from 12 percent in 1980 to 21 percent in 1985.

°The Boston Housing Authority's waiting list for public housing has almost doubled -- from 6,783 to 12,500 low-income households -- between November 1982 and June 1986.

°The typical waiting period to get into Boston public housing has grown from three years in 1982 to five years in 1986.

°Among those fortunate enough to receive BHA-administered rent certificates, the "success rate" for those seeking apartments has declined from 75 percent in 1982 to 50 percent in 1986.

°The number of homeless individuals, unable to find permanent shelter, has increased significantly in recent years. Conservative estimates place the number of homeless persons in Boston at anywhere from 2,000 to 5,000.



# Neighborhoods

NEWTON, LEXINGTON

## Two communities find inclusionary zoning rules can be a boon

City and town officials say they're pleased with construction results; developers say flexibility in ordinance options keeps projects viable

Occasionally, a developer will mumble and grumble, said Barry Canner, director of planning and development for Newton. "But, overall, I think it's been very good for the city."

Peter Munkbeck of the Greater Boston Community Development Corp., which is building 34 units in Lexington, said there's a long history of subsidized housing in Massachusetts, and it's been done in good times and bad times. It requires additional structuring, but it definitely is feasible.

In a letter to Boston city councilors on Monday, the Greater Boston Real Estate Board asked them

to prevent the Flynn administration from adopting inclusionary zoning as part of its housing policy. The board said the added cost of subsidizing 10 percent of all units for low- to moderate-income dwellers, as is called for in Flynn's proposal, would undermine the financing of less highly capitalized developments, especially with the loss of federal tax incentives.

But Canner and Robert Bowyer, the planning director in Lexington, said such concern might be unwarranted.

"What we've done here doesn't compare to the big money in Boston," Canner said. "But has the program slowed housing develop-

ment here? Has it hurt real estate values? It hasn't."

In Newton, which adopted the policy in 1977, more than 100 units of low-income housing have been built under inclusionary zoning, Canner said.

Lexington has seen more than 170 low- or moderate-income units built since it adopted a similar plan in 1979, according to Bowyer.

"There's fairly widespread recognition here that there's a housing problem," Bowyer said, "and unless we take these steps, we'll lose the diversity in the community that we do have."

A developer attacked Newton's inclusionary zoning ordinance in

a 1980 lawsuit, arguing that it violated his constitutional protection of private property. This past April, however, the state Supreme Judicial Court threw out the suit on a technicality.

In Lexington, meanwhile, challenges have been nil.

"We've set up the rules," Bowyer said. "If developers don't want to play by those rules, they have to find another field to play on."

Bowyer said that as long as developers know what they are facing from the start, they should be able to approach a project and meet inclusionary zoning standards.

Canner and Alan Green, who has built developments in Newton, suggested that the more options developers have, the less inclusionary zoning should affect a project's viability.

In Lexington and Newton, for instance, developers can meet inclusionary zoning requirements by constructing the low- to moderate-income units on the proposed site, but they also are allowed to build them at a different location or contribute cash to a city trust fund.

Flynn's plan, in contrast, requires that all the low- to moderate-income units be included as part of the developer's project.





# Helping renters in a booming market

Boston Globe  
June 30, 1986

## BOB KUTTNER

The Boston housing market is an extreme case of feast or famine. If you own a home, congratulations. You've probably amassed more "savings" from this investment than you will put into a savings account during your lifetime.

If you are a renter, that means you are competing with other renters, who are bidding up the cost of what remains of decent rental housing. And if you are a developer, the rents your apartments can fetch in this scorching market have risen far faster than your costs, and it is bonanza time.

That's why Mayor Flynn's proposal that developers set aside 10 percent of their apartments for rentals that low- and moderate-income people can afford makes such good sense. It is a way to permit nonaffluent people to share the real estate bonanza without involving the government in a big new bureaucratic scheme.

We probably need some more publicly subsidized housing, too, for that matter. But unfortunately that possibility has been dimmed both by the Reagan administration's opposition to housing subsidies, and by the changes in the tax bill, which make rental housing a less attractive tax shelter.

So far, 72 communities nationally have adopted some sort of inclusionary zoning plan, about half of them in California, but several in the Northeast, including Newton and Lexington in Massachusetts. The value of this approach is that it leaves development to the developer, but requires that the public share in his windfall. By diffusing low- and middle-income housing around the city, it leads to economic integration, but in socially acceptable proportions.

According to one study, the Boston metropolitan area is the nation's hottest housing market. Within the city, renters make up about 70 percent of households, but because of the back-to-the-city-vogue, condominium conversion, and a popula-

tion increase of an estimated 60,000 during the last five years, rent levels have been soaring.

The Boston Housing Authority found that between 1982 and 1985, the average two-bedroom apartment increased from \$515 to \$863 a month, an increase of nearly 70 percent, at a time when the typical paycheck increased by perhaps 15 percent-20 percent.

The Flynn plan must be approved by both the City Zoning Commission and the Boston Redevelopment Authority, which has scheduled a hearing for July 10. If the plan is approved, Boston would be the largest US city to require inclusionary zoning.

Housing, as a public issue, has been shoved off the agenda by the twin pressures of a cutback in federal aid, and a vogue for the belief that the free market solves all problems. In the case of housing, the free market produces windfalls for some and hardship for others.

For the long run, the credit to affordable rental housing will be credited only by

a combination of new subsidized housing and the invention of new forms of non-profit housing, as well as controls on speculative condominium conversion and controls on the fall rent hikes. The more pressure is put on the pocketbooks of ordinary people, the more developers can expect an eventual backlash.

For now, the inclusionary zoning idea is the best option available, the least intrusive interference with the private sector, and a lesser evil than more extreme efforts to regulate private markets. Developers would do well to acknowledge that reality, and not seek to defeat the proposal.

Cities are in a period when they must do more with less. That does not mean, however, that social problems have disappeared. Mayor Flynn, so far, has done admirably at fashioning stone soup from available ingredients. Inclusionary zoning is one of the best such magic stones, and deserves support.

Bob Kuttner's column appears regularly in the Globe.





## IN NEW JERSEY

# 'The Hills' Buyers: Wide Mix

## 'Fair Share' Policy Put Into Practice In Bedminster

By ANTHONY DePALMA

IN the historic hills of Somerset County, a private developer is building a new community that is among the first in New Jersey where the Mount Laurel zoning decisions are doing what they were intended to do — produce housing for people who cannot afford market prices.

Nestled in the folds of the Watchung Mountains in Bedminster Township, where Interstate 267 slips over Interstate 78, the community, known as The Hills, is a planned development of more than 1,200 units. In a section called Village Green, construction has started on 260 one-, two- and three-bedroom condominium apartments that will be sold at prices ranging from \$26,500 to \$55,500 to qualified buyers whose incomes are below the median for the area.

Similarly designed condominiums in different sections of The Hills have sold on the open market for \$69,500 to \$99,000, and 182 of them were snapped up in three hours by eager buyers who had to be selected by lottery because so many had shown up.

A nonprofit housing corporation has been organized to oversee the selection process for the buyers of the 260 restricted condominiums and to insure that the purchasers are qualified under court-ordered guidelines. Families must have low or moderate incomes — ranging from \$11,450 to \$29,350 a year — to be eligible.

The developer, The Hills Development Company — a partnership of Ligone Inc., a Netherlands Antilles concern, and the Allandean Corporation, which is a subsidiary of the Johns Manville Corporation — would have made an additional \$6 million on the project if it had sold all the condominiums at market price.

But in exchange for being allowed to build more housing units on the 128-acre site of The Hills — a portion of a much larger 1,532-acre parcel that extends over the hill to Bedminster Township — the company agreed to sell 20 percent of them at reduced rates.

The struggle to increase the density at the site by changing local zoning ordinances took more than a decade. When the project was

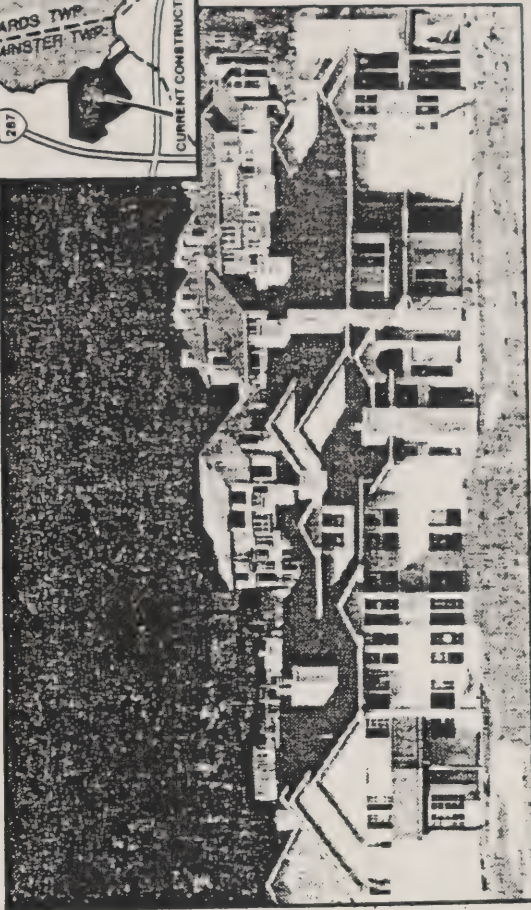
first proposed, Bedminster Township was a secluded hamlet of sprawling estates and large, expensive homes. The minimum lot size for a single-family house was 10 acres, and there was little enthusiasm in the community for the type of project that The Hills Development Company had proposed.

After 10 years of court wrangling, the township revised its zoning ordinance in accordance with the New Jersey Supreme Court's Mount Laurel zoning decisions, which require that all communities in the state provide a "fair share" of housing for low- and moderate-income families. The court considered this especially important in places like Bedminster, where large corporations have been moving in.

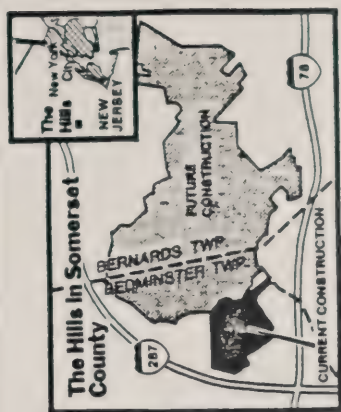
The American Telephone and Telegraph Company alone has transferred more than 5,000 employees into new corporate headquarters in the area, and other major companies have followed. State planners consider the intersection of Interstates 267 and 78 one of the most important commercial and residential development sites in New Jersey.

A final order by the Superior Court of Somerset County last December set down the procedures by which the 260 condominiums at The Hills would be built specifically for families whose incomes were no more than 50 percent of the local median, which would qualify them as low income, or between 50 and 80 percent of the median, which would put them in the middle-income range.

The New Jersey Mortgage Finance Agency is providing \$6.6 million in mortgages that will be made available at 11 percent interest to buyers at Village Green.



The New York Times / Don Bergen Charting



Houses nearing completion at The Hills, a planned development of more than 1,200 units to be built on 1,532 acres.

In all, 1,267 units will be built at The Hills. Aside from units in the Mayfield section, which are similar in design but more expensive than those in Village Green, The Hills also will include 186 Fieldstone condominiums with one-car garages priced from \$68,000 to \$128,000; 197 Stone Run town houses costing \$134,000 to \$173,000, and 100 to 102 Knollcrest town houses starting at \$108,000 and going as high as \$230,000. The remaining units have not been designed.

Sales also will begin soon on the other side of the hill, where one-acre, single-family house building lots cost an average of \$100,000.

THE more expensive town houses at The Hills ring the site, while less expensive condominium apartments are clustered in the center around the five-acre park with swimming pool, tennis courts and a gazebo. A commercial zone containing 400,000 square feet of office and retail space on 32 acres will be built on a corner of the property fronting Routes 202 and 206.

Sales have been strong at The Hills since construction began in October 1982. Altogether, 487 units have been sold, with the Mayfield village completely sold out and two others — Stone Run and Fieldstone — very nearly gone.

"What's unique about The Hills is the combination of people moving here," said Carolann S. Auger, director of sales and marketing. "Most are relocating from nearby, but in that group are older couples who have outgrown their own large homes, young professionals working in the corporate headquar-

ters and the parents of those young people who want to be near their children."

The low-cost Village Green condominiums are under construction at the rate of 16 units every three weeks using modern pre-assembled panels that are trucked to the site from the site out of state. Mrs. Auger said the nonprofit corporation overseeing the sales has been organized but needs to hire an executive director before it can begin screening prospective buyers.

She has accumulated a long list of people interested in buying, among them, secretaries, single parents and a newly ordained minister who all said they could not otherwise afford a house.

"Our largest source of referrals for Village Green has been people who have already moved into other villages at The Hills," Mrs. Auger said. "Typically it's the corporate executive living at Knollcrest who refers his secretary, or a township employee who moved into Stone Run who tells a co-worker about it."

John H. Kerwin, president of The Hills Development Company, said he often received calls from other builders who wanted to know more about how the project is meeting the Mount Laurel guidelines. Many times, he said, the caller has a mistaken idea of the market for low-cost units.

"They have a notion that these are hard-core unemployed or people on welfare," Mr. Kerwin said. "That's not it at all. These people are going to have to qualify with a lender for a mortgage. They're just like all other buyers. The only difference is the price of their units."













